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When do governments trade domestic reforms for external rewards? Explaining policy responses to the Millennium Challenge Corporation's eligibility standards

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Journalistic reports and case study evidence suggest that governments have made policy and institutional reforms to achieve or maintain eligibility for assistance from the Millennium Challenge Corporation (MCC). However, the empirical scope of the "MCC Effect"—across countries, policy domains, and time—remains a subject of speculation and debate. There is also little rigorous evidence about the conditions under which the MCC eligibility standards have influenced the reform efforts of developing country governments. To address this challenge, we construct an original data set that measures whether, when, and how governments in low-income and lower-middle-income countries responded to the eligibility requirements for MCC assistance between 2004 and 2010. Our econometric analysis of the data set calls attention to an underappreciated factor that shapes the adoption and implementation of externally influenced reforms: the presence of a technocratic reform team with executive authority to introduce disruptive changes to the status quo.

1 | INTRODUCTION

For decades, scholars and practitioners have debated whether and how external actors can create incentives that effectively encourage governments in low-income and middle-income countries to pursue economic, social, environmental, and governance reforms. Bilateral aid agencies and multilateral development banks have traditionally sought to spur reform by first agreeing to a financial package with a counterpart government, and then linking future disbursements to the implementation of specific policy or institutional changes. However, this strategy of threatening to punish governments

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that fail to honor their promises of reform has had limited success. Donor agencies and international organizations face a variety of political, economic, and organizational pressures—rewarding allies and punishing enemies, satisfying the demands of shareholders or domestic interest groups, and "pushing money out the door" to achieve professional prestige and budget maximization goals—that undermine the credibility of their commitments to enforce conditional aid contracts (Dollar & Svensson, 2000; Kilby, 2009).

In response to these challenges, donor governments and multilateral institutions have recently experimented with a new approach whereby financial rewards are only provided after the governing authorities in low-income and middle-income countries have established track records of reform (Dollar & Levin, 2006; European Commission, 2016; Hout, 2007). The U.S. Government (USG) was an early adopter of this "aid selectivity" approach. In 2002, President George W. Bush outlined the rationale for the creation of a new U.S. foreign assistance mechanism called the Millennium Challenge Account (MCA). He called for a $5 billion increase in annual U.S. development assistance and "a set of clear and concrete and objective criteria" to channel these funds to "nations that root out corruption, respect human rights, and adhere to the rule of law…, nations that invest in better health care, better schools and broader immunization..., nations that have more open markets and sustainable budget policies, [and] nations where people can start and operate a small business without running the gauntlets of bureaucracy and bribery" (Office of the White House, 2002).

A bipartisan coalition in the U.S. Congress subsequently passed legislation that established a new federal agency—the Millennium Challenge Corporation (MCC)—to administer the MCA.[1] The Millennium Challenge Act of 2003 authorizes the MCC to provide MCA funding to low-income and lower-middle-income countries that demonstrate a commitment to ruling justly, investing in their people, and promoting economic freedom.[2] The MCC, in turn, submits an annual report to Congress in which it identifies a set of cross-country indicators from third-party institutions that it will use to evaluate the policy performance of MCA candidate countries.

This decision by the USG to make access to MCA funding conditional upon policy performance was designed to create both a *reward* and an *incentive* for governments that rule justly, invest in their people, and promote economic freedom (Radelet, 2006; Rose & Wiebe, 2015).[3] There is broad agreement among scholars, policy analysts, and congressional overseers that the MCC has followed the intent of the law by rewarding countries with relatively strong policies and institutions (Herrling, Kinder, & Radelet, 2009; Kerry & Lugar, 2010). However, the extent to which the MCC has incentivized reform efforts in the developing world is neither well documented nor widely understood.

Some journalistic reports and case studies suggest that governments have implemented reforms to increase their odds of achieving or eligibility for MCA assistance (e.g., Dugger, 2006; Newton, Solf, & Vicentini, 2007; Phillips, 2007).[4] However, the empirical scope of the so-called "MCC Effect"—across countries, policy domains, and time—is a source of ongoing speculation and debate (e.g., Berrebi & Thelen, 2011; Brown & Tirnauer, 2009; Johnson, Goldstein-Plesser, & Zajonc, 2014; Öhler, Dreher, & Nunnenkamp, 2012). We attempt to close this evidence gap by constructing an original data set of more than 14,000 country-policy-domain-year observations that measures whether, when, and how governments responded to the eligibility requirements for MCC assistance. We then use linear probability, logit, rare event logit, conditional logit, and multilevel modeling techniques to analyze this data set and identify the conditions under which the MCC eligibility standards have influenced the reform efforts of developing country governments. We find that technocratic reform teams (TRTs) with executive authority to introduce disruptive changes to the status quo increase the probability that a government will pursue reforms to meet the MCC eligibility standards.

2 | THEORY

The conventional wisdom is that interests and institutions determine reform outcomes in developing countries. Interest-based explanations identify the key domestic actors in a polity and assess the willingness and ability of these actors to support or oppose reform. In the standard political economy formulation, the actors who believe they stand to lose from reform understand the distributional consequences of reform and are prepared to organize themselves in opposition to change, while those who stand to benefit from reform face significant collective action problems and demonstrate low levels of political organization. Given that reforms often produce concentrated, near-term costs and diffuse, long-term benefits, many political economy scholars employ interest-based approaches to explain instances of reform failure or persistence of the status quo (Acemoglu & Robinson, 2000; Alesina & Drazen, 1991; Rajan, 2004).

Institution-based approaches suffer from the same fundamental shortcoming: They provide relatively structural and static explanations of reform outcomes, leaving little room for political agency and entrepreneurship. For example, Vreeland (2003) and Joyce (2006) propose that as the number of veto players in a given domestic polity increases, the prospects for successful reform implementation decline. Desmet, Ortuño-Ortín, and Wacziarg (2009) and Easterly, Jo, and Woolcock (2006) argue that in institutional settings characterized by low levels of social cohesion—for example, countries with significant asset inequality or ethno-linguistic fragmentation—governments find it more difficult to build a social consensus around the need for reform. Others emphasize institutional strength, or the "sheer capacity of the state apparatus to design and execute a coherent policy program" (Pop-Eleches, 2009, p. 42).

Interest-based and institution-based approaches therefore provide some analytical leverage on the question of the whether, when, and why reform occurs in developing countries, but they also tend to "overdetermine failure and underexplain the potential for change" (Grindle, 2004, p. 8). This theoretical blind spot has inspired a separate body of scholarship on reform that occurs in the face of seemingly insurmountable structural constraints (e.g., Domínguez, 1997; Grindle & Thomas, 1991; Haggard, 1994).

The so-called "reform mongering" literature argues that reform is more likely when the government delegates authority to a technocratic reform—or "change management"—team (Criscuolo & Palmade, 2008; Domínguez, 1997; Nelson, 1993; Waterbury, 1989; Williamson, 1994). In a review of economic reform efforts in Africa, Asia, and Latin America during the 1970s and 1980s, Nelson (1993, p. 436) concludes that "[i]n almost all cases of vigorous and sustained reform, political leaders concentrated authority for economic management in 'change teams.'" These TRTs usually serve "as the brain trust of the political leadership" and "they [are] politically isolated and utterly dependent on the head of state" (Waterbury, 1989, p. 119). Well-known TRTs include the "Chicago Boys" in Chile (a group of University of Chicago–trained economists who oversaw social and economic policy in the late 1970s and 1980s), the "Berkeley Mafia" in Indonesia (a group of UC-Berkeley-trained economists who became high-ranking public officials in New Order Indonesia), and "Özal's princes" in Turkey (a group of Western-educated officials who implemented structural adjustment policies in the 1980s). More recently, a growing number of low- and middle-income countries have adopted "delivery units" at the center of government that seek to more effectively monitor, manage, and motivate the performance of bureaucratic institutions (Santiso, 2015).

The "reform mongering" literature is generally optimistic about the ability of TRTs to initiate status-quo-altering reforms and successfully shepherd them to completion. However, it focuses largely on the *domestic* origins of TRTs and their effects on reforms that are pursued with an eye

toward domestic goals and domestic audiences (Criscuolo & Palmade, 2008; Waterbury, 1989; Williamson, 1994). A gap in the literature is the fact that some TRTs exist because of reform pressures from *external* actors and focus their efforts on reforms that will help unlock external resources. Indeed, several recent studies provide evidence that government officials in developing countries often respond to reform pressures from aid agencies and international organizations by creating new *de jure* institutions, such as independent commissions, task forces, and interministerial working groups (Andrews, 2013; Buntaine, Parks, & Buch, 2017). Yet, little is known about whether these types of externally oriented TRTs successfully facilitate the adoption and implementation of public sector reforms. It could be the case that externally oriented TRTs are credibility signaling devices and mechanisms for communicating reforms to external donors and lenders, and they are not themselves catalyzing or accelerating reforms (Burke & Heller, 2008). Therefore, our ambition in this study is to understand whether TRTs—with a specific mandate to address the policy performance requirements of an international development organization—bring about reforms or simply broadcast them.

It has proven difficult to gain leverage on this question because of a crucial, yet typically unobservable, confounding variable: the underlying motivations of the chief executives who appoint TRTs in the first place. If the appointment of a TRT is a visible representation of the executive branch's political will to secure financial rewards from a particular donor or lender, the same reform outcome(s) may have occurred in the absence of a TRT. We argue that TRT appointments are indeed a function of the political commitment of the chief executive, but they also *independently* increase the probability that externally inspired reforms will succeed in implementation by performing three key functions: (a) introducing and promoting ideas about policy and governance that challenge the status quo, (b) reorienting material and technical forms of external assistance in support of these new ideas, and (c) altering the domestic balance of power within the executive branch away from actors who prefer the status quo.

3 | THE UNLIKELY CASE OF GOVERNANCE REFORM IN YEMEN (2006–2007)

To illustrate the role that externally inspired TRTs can play in the implementation of public sector reforms, consider the seemingly anomalous set of governance reforms undertaken in Yemen between 2006 and 2007. Few analysts of Yemeni politics predicted the Ali Abdullah Saleh administration would successfully implement a battery of anticorruption and judicial reforms during this period of time. In fact, in the run-up to this period of abrupt policy and institutional change, most observers of Yemeni politics considered the prospects for governance reform to be dismal (e.g., Economist Intelligence Unit, 2005). The country's anticorruption and judicial institutions were directly controlled or subjected to high levels of undue influence by the executive branch; they were also actively being used by the president to prosecute or otherwise undermine his political rivals and opponents (Phillips, 2011, p. 22).

The International Monetary Fund (IMF) sounded the alarm in March 2005, noting that reforms had "stalled" because "the reform agenda began to encroach on the interests of very powerful groups" (IMF, 2005, p. 4). Two months later, in a cable dispatch to State Department headquarters, the U.S. Ambassador to Yemen warned that "[President] Saleh is more and more isolated, and less and less responsive to advice from those practical, progressive [government] insiders" and "more interested in enriching his family than in making the strategic choices necessary to lead Yemen into the future" (Krajeski, 2005).

By the fall of 2005, Yemen's performance had deteriorated substantially on 8 of the 16 MCA eligibility indicators. The MCC responded by suspending Yemen's eligibility for reform assistance from the Threshold Program in November 2005.[5] The then–U.S. Secretary of State Condoleezza Rice personally delivered the news to President Saleh and "rapped him over the knuckles" for his failure to honor previous reform commitments (Phillips, 2011, p. 13). The *Wall Street Journal* reported that he was "very upset" by the suspension (Phillips, 2007), but he initially responded by downplaying corruption within his own government (Sultan, 2006).

A broader group of bilateral and multilateral donors then rallied around the USG's decision to suspend Yemen's MCC eligibility and sought to "speak with one voice" to the president and his advisers (Krajeski, 2006a, 2006b). Shortly after the MCC announced Yemen's suspension from the Threshold Program, the World Bank announced that it was cutting funding to Yemen by $140 million due to concerns about governance (World Bank, 2008, p. xiv). It also made clear that if the authorities implemented the governance measures outlined in a February 2006 reform strategy, they could expect World Bank funding to increase considerably (Krajeski, 2006a, 2006b; Phillips, 2011).

President Saleh made a major course correction in February 2006. He sacked the ministers in his cabinet who were perceived as being most corrupt and replaced them with reform-minded officials (Krajeski, 2006c). A "Presidential MCC and National Reform Committee" (see Figure 1) was also established and given a mandate to implement governance reforms that would restore confidence in the donor community and help the government regain its eligibility for MCC Threshold program assistance.[6] This Committee consisted of trusted advisers to the president (with significant influence and decision-making authority) and technocratic reformers who were trusted and respected by the donor community (Seche, 2008).[7]

With direction from this Committee, the Government of Yemen passed anticorruption and financial disclosure legislation, eliminated the president from the process of selecting members of the government's anticorruption commission, removed the president as the head of the Supreme Court, implemented a biometric identity card system to rein in "ghost worker" payments, and introduced greater transparency and civil society oversight of public procurement processes (Krajeski, 2006a, 2006b; Ministry of Planning and International Cooperation [MOPIC], 2006; World Bank, 2008). This package of reforms addressed virtually all of the "near-term actions" that the MCC encouraged the Yemeni authorities to implement if they wished to regain eligibility for Threshold program assistance.[8]

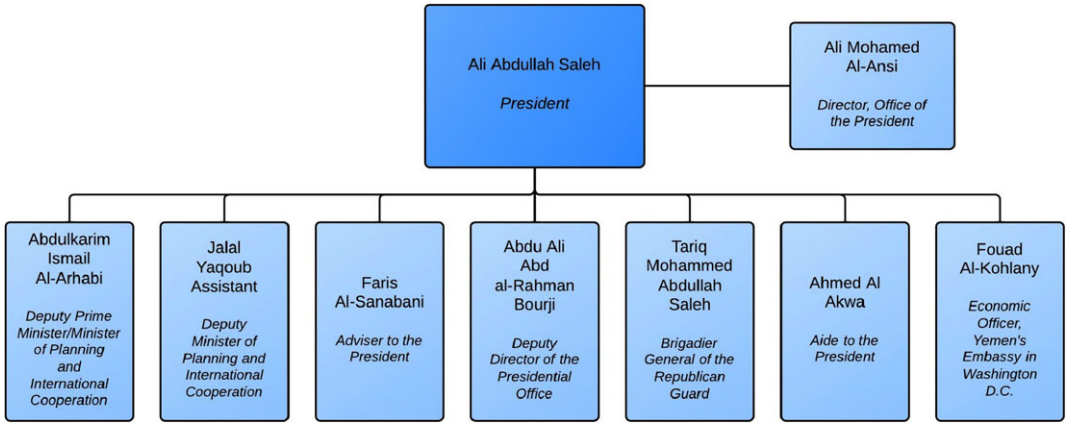
Ali Abdullah Saleh
President
Ali Mohamed Al-Ansi
Director, Office of the President
Abdulkarim Ismail Al-Arhabi
Deputy Prime Minister/Minister of Planning and International Cooperation
Jalal Yaqoub Assistant
Deputy Minister of Planning and International Cooperation
Faris Al-Sanabani
Adviser to the President
Abdu Ali Abd al-Rahman Bourji
Deputy Director of the Presidential Office
Tariq Mohammed Abdullah Saleh
Brigadier General of the Republican Guard
Ahmed Al Akwa
Aide to the President
Fouad Al-Kohlany
Economic Officer, Yemen's Embassy in Washington D.C.

FIGURE 1 Structure of Yemen's Presidential MCC and National Reform Committee.
Source: Author correspondence with a senior Yemeni Government official, April 15, 2006

The USG took note of the Government of Yemen's efforts and reinstated its eligibility for MCC assistance (Phillips, 2007). Yemen's Ministry of Planning and International Cooperation attributed the government's reform effort to the MCC suspension decision, noting that the authorities' desire to meet the MCA eligibility standards "helped pave the way for the current reform momentum" (MOPIC, 2006, p. 1). A number of independent observers also singled out the MCC for its role in spurring these reforms (Monasterski, 2007; National Democratic Institute, 2005; Phillips, 2007).[9]

This unexpected period of governance reform also provides some suggestive evidence of the causal mechanisms through which externally focused TRTs may influence reform outcomes. One of the apparent effects of the appointment of a Presidential MCC and National Reform Committee was that it seemed to shift domestic power within the executive branch away from actors who favored the status quo and toward reform-minded officials. According to one USAID Yemen official, the prospect of MCA recertification strengthened the Yemeni government's resolve to implement policy and institutional changes that had been repeatedly postponed (author correspondence with USAID official, October 1, 2007). Phillips (2011, p. 14) echoes this point, reporting that "Yemen's [MCA] re-admission was seen as a considerable victory for reformers within the government, who had worked to lay the foundations for more robust anti-corruption legislation."[10] The efforts of the MCC-focused TRT also appear to have succeeded at least in part because the local donor community rapidly reoriented many of its existing technical and financial assistance programs to support the government's new set of priorities (Krajeski, 2006b, 2006d).

Of course, while this particular case suggests that externally focused TRTs may be consequential, it is ultimately an unsatisfying account of why some governments undertake reform—and others choose to not undertake reform—in response to external incentives like eligibility for MCC assistance. It represents a single case and there are many potentially confounding factors for which we have not accounted.

4 | ECONOMETRIC ANALYSIS

In the remainder of this article, we seek to provide a more systematic explanation of why some governments respond to the MCA eligibility requirements by adopting and implementing reform efforts, while other governments forego the opportunity to trade domestic reforms for external resources. We first introduce an original data set of nearly 14,000 observations that measures government policy responses and nonresponses to the MCA eligibility standards across countries, policy domains, and time. We then use linear probability, logit, rare event logit, conditional logit, and multilevel modeling techniques and propensity score matching methods to explain variation in these MCC-related reform efforts.

This article proceeds in the following manner. We first introduce the variables that will be used to test our core hypothesis and account for alternative explanations. We then describe our primary model, summarize our empirical findings, and perform a battery of robustness and sensitivity checks. We conclude with a brief discussion of theoretical, empirical, and policy implications.

5 | THE DEPENDENT VARIABLE

Existing research on the domestic policy effects of external incentives and pressures generally uses one of two types of dependent variables: *de jure* indicators of state participation in resources-for-reform agreements (e.g., signing an international agreement, formal participation in an international

initiative) or outcome measures that are plausibly influenced by policy behavior and implementation (e.g., the rate of inflation, the size of the fiscal deficit/surplus). We take a different approach. We construct a direct measure of the empirical phenomenon of interest: whether and when the prospect of achieving or preserving a specific external reward motivated specific policy responses by governments in low-income and lower-middle-income countries.

More specifically, we construct an original data set of reform efforts undertaken by governments in low-income and lower-middle-income governments between 2004 and 2010 to secure or maintain eligibility for MCC assistance. Parks worked for the MCC during this period of time and was responsible for recording the policy responses and nonresponses of MCC candidate countries to the MCA eligibility criteria. During this period of time, he assembled a repository of primary source materials—including contemporaneous notes of face-to-face meetings with government officials from MCC candidate countries, written correspondence with government officials from MCC candidate countries, and action plans and progress reports from MCC candidate countries identifying specific policy measures taken to address the MCA eligibility criteria—containing information about the policy responses and nonresponses of MCC candidate countries to the MCA eligibility criteria.[11] These primary source materials were then supplemented with secondary source materials from cable reporting by U.S. Department of State embassies, consulates, and diplomatic missions on MCA eligibility issues (made available through Wikileaks), data and documentation published by MCC candidate countries themselves, and media reports on MCA eligibility issues collected via Google Alerts—a content change detection and notification service—from 2004 to 2010.

A team of research assistants subsequently used the primary and secondary sources and a systematic set of coding procedures (see Supporting Information Appendix C) to construct three dependent variables. The first dependent variable (*mca_reform_anystage*) is a dichotomous measure of whether there is any evidence, in a given country-domain-year, that a government undertook a reform response at any stage of the policymaking process (agenda setting, reform design, reform adoption, or reform implementation) to improve its chances of achieving or maintaining MCA eligibility.[12] The second dichotomous dependent variable (*mca_reform_adoption_implementation*) measures whether there is evidence that a government adopted or implemented a reform in a given country-domain-year to improve its chances of achieving or maintaining MCA eligibility. The third dependent variable (*mca_reform_implementation*) is more restrictive; it only includes MCA-inspired reforms that were implemented by a government in a given country-domain-year. Each of these dependent variables consist of nearly 14,000 individual observations, covering 118 countries, 7 years (2004–2010), and 17 policy domains. We use three different dependent variables in order to test the sensitivity of our results to more and less expansive definitions of MCC policy influence.[13]

The sample of countries in our study includes all potential recipients of MCC assistance between 2004 and 2010. The criterion for inclusion in the sample is whether or not a country satisfied the per capita income requirement for consideration as a "candidate country" in a given year. Income thresholds for MCA candidacy are defined annually according to the parameters identified in the MCC's authorizing legislation.[14] We also removed country-domain-year combinations that did not exist between 2004 and 2010.[15]

The country-level variation in this data set (see Supporting Information Appendix B) suggests that the MCA eligibility requirements influenced the *agenda-setting* stage of the policymaking process in 45 countries, or 38% of the MCC's "target population." Several brief examples illustrate the nature of this influence. In 2008, José Rafael Espada, the then–Vice President of Guatemala, communicated to one of the authors of this study (Parks) that the prospect of MCA eligibility helped ensure that anticorruption and transparency reforms would remain high on his government's agenda, adding

that "I keep the MCC scorecard on my desk and bring it to Cabinet meetings." A senior adviser to Espada emphasized this point in subsequent correspondence with Parks, noting that "we are using the 17 [MCA eligibility] indicators to drive the government" and "the [MCA] indicators are guiding the government's policy agenda."[16] In 2008, Liberian President Ellen Johnson-Sirleaf made a similar observation, noting that the issue of MCA eligibility had been the focus of a recent cabinet meeting: "I wanted the cabinet members to see where we failed. ... [I]f our courts system does not function right, we don't pass the [MCC] indicator for the protection of rights; if our Commerce Ministry does not help businesses to get registered quickly, we don't pass the [MCC] indicator for being able to promote business. So I want all Liberians to see what we ought to do so that we too can benefit significantly from [MCA funding]" (*The Analyst*, 2008).

Our data set also suggests that there is some degree of "attrition" in the influence of the MCA eligibility criteria at later stages of the policymaking process. We find evidence that only 38 countries, or 32% of the MCC's "target population," implemented MCA-inspired reforms (see Supporting Information Appendix B).[17] As such, the scope of the "MCC Effect" seems to be limited to approximately one third of the candidate countries where the MCA eligibility criteria could plausibly exert influence.

6 | INDEPENDENT VARIABLE OF INTEREST

Our central prediction is that the existence of a MCC-focused TRT within the executive branch will increase the probability that reforms related to the MCA eligibility criteria are successfully adopted and implemented. We test this hypothesis with a binary measure (*mca_reform_team*) that assumes a value of 1 for every year in which the government had an MCC-focused TRT in place. More precisely, this variable takes a value of 1 in a given year if a government (a) appointed or assigned one or more senior officials to spearhead efforts to meet the MCA eligibility standards, or (b) appointed or assigned some type of executive or interministerial task force, commission, committee, or working group to address the MCA eligibility standards. Countries that did not meet condition (a) or (b) in a given year receive a value of 0.[18] In total, we identify 42 of 118 MCA candidate countries as having MCC-focused TRTs in place at some point during the period of study. Illustrative cases include El Salvador and Vanuatu. In El Salvador, the authorities established a Policy Performance Monitoring Unit (UDII) in the Office of the President and explicitly charged it with designing, shepherding, and tracking reforms that would improve the government's performance on the MCA eligibility indicators from 2005 to 2010. In Vanuatu, the authorities tasked an already existing government institution—Department of Strategic Policy, Planning and Aid Coordination (DSPPAC) in the Office of the Prime Minister—with implementing reforms to meet the MCA eligibility criteria after the country failed to meet the criteria for the first time in USG fiscal year 2009.[19] More detailed information about the *mca_reform_team* variable can be found in Supporting Information Appendix A.

7 | CONTROL VARIABLES

Existing scholarship on the efforts of external actors to influence the domestic policy behavior of developing countries emphasizes the fact that one confounding variable is of singular importance: the chief executive's interest in making domestic policy changes to reap a particular external reward (e.g., Pitlik, Frank, & Firchow, 2010; Vreeland, 2003). We address this challenge by developing a direct measure (*q7_mca_eligibility_executive_interest*) of whether, to what extent, and when the chief

executive publicly or privately revealed an interest in undertaking reform efforts to achieve or maintain MCA eligibility. This variable takes one of three values: 0 represents evidence of little or no executive interest, 1 represents evidence of a moderate level of executive interest, and 2 represents evidence of a high level of executive interest. In Supporting Information Appendices A and G, we provide several examples of *q7_mca_eligibility_executive_interest* coding decisions at the country-year level and demonstrate the construct validity of this measures by correlating it with a different source of cross-country survey data that we independently gathered.

We also include a number of additional control variables to account for other domestic and external factors that may influence the probability that a government will pursue MCA-related reform efforts. These variables include measures of regime type (*polity2*), the number of veto players in a polity (*checks*), the number of years that the chief executive has been in office (*yrsoffc*), whether or not a country experienced a major or minor democratic transition within the last 10 years (*young_democ_major_minor_trans*), state capacity (*wbi_ge_est*), reliance on foreign aid revenue (*net_oda_over_gni*), access to natural resource rents (*nat_resource_rents_over_gdp*), the scope for reform in a particular policy domain (*cpia_scope_for_reform*), the reform credentials of the government (*cpia_reform_credentials*), the provision of MCC reform assistance (*mca_reform_assistance_issue_domain*), the determinacy of MCA policy conditions (*determinacy_of_conditions*), the nature of the policy domain (*ruling_justly_category*, *investing_in_people_category*, and *economic_freedom_category*), the level of priority assigned by the MCC to particular policy conditions (*strength_of_incentive*), the relative financial significance of the MCC funding to a country (*log_gdp*), the perceived achievability of financial and reputational rewards from the MCC (*distance_from_eligibility*), the receipt of U.S. military aid (*logmilitaryaid*), voting similarity with the United States in the U.N. General Assembly (*s2un*), and secular time trends (*timeid*). Brief descriptions of these variables are provided in Table 1.[20]

8 | THE MODEL

As our main model specification, we use the following linear probability model with country-domain fixed effects and year fixed effects to estimate the probability that a developing country government will adopt or implement reform efforts to improve its odds of achieving or retaining MCA eligibility:

$$Pr\left(Y_{ijk}=1|\,X_{ijk}=x\right)=\beta_0+\beta_1X_{1ijk}+\ldots+\beta_{17}X_{17ijk}+\alpha_{ij}+\xi_k+\epsilon_{ijk}.$$

Y_{ijk} is the binary dependent variable, which measures whether or not an MCA-inspired reform response was undertaken in a given country-year-domain. X_{ijk} is a vector of explanatory variables that vary over the country-domain-year. α_{ij} represents the country-domain effects, ξ_k represents the year effects, and ϵ_{ijk} is the error term. By introducing country-domain fixed effects and separate year fixed effects, we seek to generate a coefficient estimate for our main independent variable of interest (*mca_reform_team*) that represents the average increase in the probability of an MCA-inspired reform response when a MCC-focused TRT is in place.

9 | RESULTS

In columns 1 and 2 of Table 2, we present linear probability model results for all low-income and lower-middle-income countries in our sample (using *mca_reform_adoption_implementation* as our dependent variable).[21] In columns 3 and 4, we present results for low-income income countries only. Analysis of this restricted sample allows us to include two particularly important control variables

TABLE 1 Variables used to predict Millennium Challenge Corporation (MCC)-inspired policy responses

Variable name	Description	Sources
mca_reform_team	This binary indicator measures whether or not a technocratic reform team was in place to maintain or improve the country's performance on the Millennium Challenge Account eligibility criteria. 1 = yes. 0 = no.	Authors' own calculations
checks	This 9-point indicator variable measures the number of veto players in a given country.	Database of political institutions
cpia_reform_credentials	This indicator measures the rate of change in a country's policy and institutional performance, as captured in the World Bank's Country Policy and Institutional Assessment (CPIA). Higher values represent faster rates of change in policy and institutional performance.	World Bank
cpia_scope_for_reform	This indicator measures the level of a country's policy and institutional performance, as captured in the World Bank's CPIA. Higher values represent higher levels of policy and institutional performance.	World Bank
determinacy_of_conditions	A dummy variable that measures whether the MCC eligibility indicator used by MCC to assess policy performance consists of an index with 5 or more subcomponent indicators. 1 = yes. 0 = no.	Authors' own calculations
distance_from_eligibility	This variable measures the number of MCC eligibility indicators that countries must pass to meet the formal requirements for compact eligibility, and for those countries that already meet the formal eligibility requirements, the number of additional indicators that they pass. It varies from −9 to 9. Negative values represent the number of MCC eligibility indicators that countries must pass to meet the formal requirements for compact eligibility. Positive values represent the number of additional MCC eligibility indicators that countries pass (beyond the formal MCC eligibility requirements).	Authors' own calculations
economic_freedom_category	A dummy variable that assumes a value of 1 if the policy domain falls within the MCC's Economic Freedom category, and 0 otherwise.	Authors' own calculations
investing_in_people_category	A dummy variable that assumes a value of 1 if the policy domain falls within the MCC's Investing in People category, and 0 otherwise.	Authors' own calculations
log_gdp	This indicator measures the logged value of a country's gross national income in purchasing power parity terms and in constant 2000 U.S. dollars.	World Bank
logmilitaryaid	This variable measures the natural logarithm of the total amount of U.S. military assistance received by a country.	USAID Greenbook
mca_reform_assistance_issue_doma	A dummy variable that measures whether MCC provided threshold program assistance to a given country in a given "domain-year." 1 = yes. 0 = no.	Authors' own calculations
nat_resource_rents_over_gdp	This variable measures natural resource rent revenue as a percentage of national income.	World Bank
net_oda_over_gni	This variable measures the percentage of a country's national income derived from official development assistance (in net terms)	OECD-DAC
polity2	This indicator varies from 10 to −10. Higher scores denote more democratic regimes.	POLITY IV
q7_mca_eligibility_executive_int	This indicator measures the chief executive's level of interest in undertaking reforms in order achieve or maintain MCC eligibility. Higher values indicate higher levels of interest.	Authors' own calculations
ruling_justly_category	A dummy variable that assumes a value of 1 if the policy domain falls within the MCC's ruling justly category, and 0 otherwise.	Authors' own calculations

(*Continues*)

TABLE 1 (Continued)

Variable name	Description	Sources
s2un	This indicator varies from −1 to 1, where higher values represent higher levels of interest alignment with the United States in the United Nations General Assembly.	United Nations General Assembly Voting Data
strength_of_incentive	A dummy variable that assumes a value of 1 if the policy domain is Control of Corruption, and 0 otherwise. Control of Corruption is the only "hard hurdle" that every country must pass to meet the formal MCA eligibility requirements.	Authors' own calculations
timeid	This indicator measures the number of years since the creation of the MCC in 2004.	Authors' own calculations
wbi_ge_est	This index varies from −2.5 to 2.5. Higher values represent higher levels of government effectiveness.	Worldwide Governance Indicators
young_democ_major_minor_trans	This dummy variable measures whether or not a country experienced a "major democratic transition" or "minor democratic transition" within the last 10 years. 1 = yes. 0 = no.	POLITY IV
yrsoffc	This variable measures the number of years that the chief executive has been in office.	Database of Political Institutions

(*cpia_scope_for_reform* and *cpia_reform_credentials*) that are only available for low-income countries. In columns 1 and 3, we report linear probability model results with year-fixed effects only, which allows us to include several additional control variables that are time invariant.[22] However, in columns 2 and 4, we report linear probability model results with country-domain and year-fixed effects, which requires that we drop all time-invariant control variables. The coefficient estimates reported in Columns 2 and 4 are, therefore, based exclusively on within-country sources of variation.

Our findings support the central prediction of this study: Governments with TRTs are more likely to undertake MCC-inspired reform adoption and implementation efforts. The *mca_reform_team* variable registers a positive and statistically significant effect in every model specification. Importantly, the models in Table 2 reveal that this result holds true even after one controls for the political commitment of the chief executive. Executive interest in undertaking reforms to achieve or maintain MCA eligibility (*q7_mca_eligibility_executive_interest*) is a strong, positive, and statistically significant predictor variable in every model specification. However, this effect is separate from the *mca_reform_team* effect.[23]

A number of additional findings from Table 2 also merit attention. First, the positive and statistically significant *polity2* coefficient that is observed in columns 1 and 3 suggests that democracies are more likely to adopt and implement MCA-related reforms than nondemocracies.[24] Second, our proxy measure for the credibility of U.S. aid conditionality—interest alignment with the United States in the United Nations General Assembly (*s2un*)—registers a negative and statistically significant effect across multiple model specifications, which suggests that countries that align their political, diplomatic, and geo-strategic interests with those of the United States are less likely to pursue MCC-inspired reform activities.[25]

Consistent with our expectations, the strength of the incentive attached to a policy domain (i.e., MCA eligibility criterion) does matter. The dummy variable for the Control of Corruption policy domain (*strength_of_incentive*) has a consistently positive and statistically significant effect across all model specifications in Table 2.[26] Also, as expected, the coefficient on the *determinacy_of_conditions* variable is positive in both of the models where it is included (columns 1 and 3), which indicates that the more objective, easily understandable, and policy sensitive the MCA eligibility indicator, the higher the likelihood that a government will seek to address the policy or institutional reform impediments to

TABLE 2 Determinants of Millennium Challenge Account (MCA)-inspired reform adoption and implementation *(mca_reform_adoption_implementation)*, linear probability model with country-domain and year fixed effects

	(1)	(2)	(3)	(4)
mca_reform_team	0.0307***	0.0389***	0.0136*	0.0345***
	(0.00406)	(0.00524)	(0.00596)	(0.00782)
mca_reform_assistance_issue_doma	0.485***	0.367***	0.467***	0.195***
	(0.0115)	(0.0155)	(0.0158)	(0.0241)
q7_mca_eligibility_executive_int	0.0146***	0.0119**	0.0270***	0.0327***
	(0.00200)	(0.00332)	(0.00308)	(0.00544)
polity2	0.00117***	0.00247*	0.00200***	0.00335
	(0.000370)	(0.00113)	(0.000592)	(0.00191)
checks	−0.000642	0.00215*	−0.000171	0.00112
	(0.000810)	(0.00131)	(0.00114)	(0.00196)
nat_resource_rents_over_gdp	0.0000609	−0.000167**	0.000196*	−0.000169
	(0.0000690)	(0.000057)	(0.000126)	(0.000370)
net_oda_over_gni	0.000478**	0.000349	0.000336	0.000248
	(0.000111)	(0.000201)	(0.000211)	(0.000623)
logmilitaryaid	0.00172	0.00211	0.00732*	0.00551
	(0.00167)	(0.00362)	(0.00298)	(0.00643)
timeid	−0.00112**	−0.00311*	−0.00471***	−0.00373
	(0.000889)	(0.00147)	(0.00170)	(0.00297)
young_democ_major_minor_trans	−0.00445	−0.0122	−0.00708	−0.0112
	(0.00363)	(0.00682)	(0.00554)	(0.0108)
wbi_ge_est	0.00124	−0.0139*	0.00623	0.00442
	(0.00386)	(0.0106)	(0.00697)	(0.0211)
yrsoffc	0.000600**	0.000471*	0.00117***	−0.000468
	(0.000197)	(0.000335)	(0.000311)	(0.000655)
log_gdp	0.000895	0.0342	−0.00170	0.0408
	(0.00103)	(0.0214)	(0.00189)	(0.0455)
distance_from_eligibility	−0.00105*	−0.00173	−0.00133	−0.00225
	(0.000463)	(0.000674)	(0.000690)	(0.00104)
s2un	−0.0345***	−0.0161	−0.0386*	−0.0926*
	(0.0100)	(0.0230)	(0.0166)	(0.0348)
strength_of_incentive	0.0380***		0.0440***	
	(0.00591)		(0.00885)	
determinancy_of_conditions	0.0142**		0.0144	
	(0.00585)		(0.00879)	
investing_in_people_category	−0.00823*		−0.0121*	
	(0.00338)		(0.00516)	
ruling_justly_category	0.000717		−0.00203	
	(0.00585)		(0.00898)	
cpia_scope_for_reform			−0.000297	−0.0510*
			(0.00600)	(0.0196)
cpia_reform_credentials			0.00897	0.0355
			(0.0170)	(0.0196)

(*Continues*)

TABLE 2 (Continued)

	(1)	(2)	(3)	(4)
Constant	−0.0688**	−0.809	0.00674	−0.802
	(0.0255)	(0.483)	(0.0467)	(0.997)
N	9,316	9,316	5,015	5,015
R^2	0.2202	0.0943	0.2142	0.0551
Year fixed effects	Yes	Yes	Yes	Yes
Country-domain fixed effects	No	Yes	No	Yes
Full set of controls (low income countries only)	No	No	Yes	Yes

Note. Robust standard errors are in parentheses.
*$p < .05$. **$p < .01$. ***$p < .001$.

improved performance on that indicator. However, this variable does not reach conventional levels of statistical significance in one of these models (column 3).

To account for systematic variation in the willingness and ability of governments to undertake reform in certain policy areas, we also include dummy variables that divide the sample into three groups: governance-related policy domains (*ruling_justly_category*), social and environmental policy domains (*investing_in_people_category*), and economic policy-related policy domains (*economic_freedom_category*). The *economic_freedom_category* variable serves as the reference group. Our results suggest that reform efforts inspired by the MCA eligibility requirements are less likely to happen in social and environmental policy domains than in economic policy-related policy domains. Holding all other factors constant, governance-related reforms are no more or no less likely to be implemented than economic policy reforms. Our variable (*mca_reform_assistance_issue_doma*) that measures whether or not a country received reform assistance from the MCC in a given policy domain and year (through the Threshold program) also suggests that the provision of such assistance—specifically, assistance that seeks address impediments to improved performance on a particular MCA eligibility indicator—increases the probability of MCA-related reform adoption and implementation. Notably, this finding persists when we limit our inferential leverage to changes in MCC reform assistance that took place over time *within* countries (in columns 2 and 4 of Table 2).

The results reported in Table 2 also provide some support for the notion that governments with greater "scope for reform" in specific policy domains are more likely to undertake MCA-related reform efforts. The *cpia_scope_for_reform* variable has as a negative and statistically significant coefficient in the linear probability model specification including country-domain and year fixed effects (column 4), which suggests that as a government's level of performance in a particular policy domain increases over time, its level of interest in using an external incentive to advance domestic reform objectives in that policy domain weakens. However, the observations that are missing from the *cpia_scope_for_reform* variable are not missing at random.[27] The World Bank's CPIA data are made publicly available only for countries that fall below the "IDA eligibility" threshold, which means that CPIA data are available for low-income countries and missing for lower-middle-income countries. Therefore, we do not know if this result generalizes to lower-middle-income countries.

In Supporting Information Appendices E and F, we implement a battery of robustness checks. First, to account for the dichotomous nature of our dependent variables, we replicate the linear probability results reported in Table 2 with logistic models that include country-domain and year fixed effects. Second, to account for the "nested" nature of our country-domain-year observations and the fact that we cannot assume these observations are fully independent, we report results from three-level logistic random-intercept model specifications. Third, to account for the fact that standard

logistic regression techniques can yield biased coefficient estimates when the dependent variable is skewed with many "zeros" and very few "ones" (King & Zeng, 2001) and our dependent variables are heavily skewed (with only 232 cases of countries adopting or implementing a reform in a given policy domain-year to achieve or maintain MCA eligibility out of the nearly 14,000 country-year-policy domain observations),[28] we collapse our country-domain-year level data set into a country-year level data set and employ rare event logistic models. Fourth, to account for the dichotomous nature of our dependent variables and limit our inferential leverage to within-country variation (and thus more directly test the hypothesis that the appointment of an MCC reform team increases the probability of a treatment effect, we estimate conditional logistic regression models with country-fixed effects for each panel of the country-year level data set. Fifth and finally, to account for self-selection bias (i.e., the fact that an unobserved confounding factor or set of factors may influence a government's propensity to engage in MCC-related reform activities), we use propensity score matching techniques to estimate the effect of our primary independent variable of interest (with a collapsed, country-level data set). We first use a logistic model to estimate the probability that a given country will appoint a TRT to address policy performance issues rules to the MCA eligibility criteria. We then use the output from the model to generate propensity scores—that is, weighted index values measuring that probability that countries will "receive the treatment" of a TRT—and create a matched subsample of treatment and control units, where the "treated" countries are those with TRTs and "control" countries are those without TRTs.

Our main results hold across the logistic model and multilevel model specifications that use the country-domain-year level data set and the logistic, rare event logistic, and conditional logistic model specifications that use the country-year level data set. Our key independent variable of interest (*mca_reform_team*) registers a positive and statistically significant effect across nearly all of these alternative model specifications. This result obtains even after we control for a crucial confound: the political commitment of the chief executive to MCC-related reforms (*q7_mca_eligibility_executive_int*). Our propensity score matching results, which also demonstrate that the political commitment of the chief executive to the MCA eligibility criteria is a strong predictor or the appointment of MCA-focused TRTs, reveal substantively large differences in MCC policy influence between the treatment units (countries with MCA-focused TRTs) and control units (countries without MCA-focused TRTs). However, the postmatching difference-of-means tests for the treatment and control groups do not reach conventional levels of statistical significance (most likely because of a sharp reduction in statistical power when our data set is collapsed from approximately 14,000 country-domain-year level observations in the full sample to approximately 85 observations in the matched country-level sample).

10 | CONCLUSION

This article presents new evidence from a large-scale data collection effort to code the policy responses and nonresponses of 118 developing country governments to the USG's MCA eligibility requirements. By various methods and measures, we find that the "MCC Effect" is real and its scope of influence is substantial. Our efforts to systematically measure variation in the MCC Effect—across countries, time, policy domains, and the various stages of the policymaking process—suggest that roughly one third of countries that meet the per capita income requirements for MCA candidacy have pursued reform efforts to achieve and retain MCA eligibility. More specifically, we find that depending on the stage of the policymaking process (agenda setting, reform design, reform adoption, or

reform implementation), the MCA eligibility requirements exerted influence on 32%–38% of the target population—that is, between 38 and 45 of the 118 target countries—between 2004 and 2010.

We also leverage this data set of more than 14,000 country-policy-domain-year observations in order to explain the conditions under which the MCA eligibility standards have influenced the reform efforts of developing country governments. Our findings suggest that a range of factors—including, but not limited to, regime type, reliance on foreign aid revenue, the chief executive's political commitment to MCA-related reforms, the scope for reform in a particular policy domain, the provision of reform assistance, the determinacy of MCA policy conditions, the perceived credibility of USG policy conditions, and the level of priority assigned by the USG to individual policy conditions—influence the probability that a government will pursue reform activities in response to the MCA eligibility criteria.

However, the central contribution of this article is our theoretical and empirical argument that the presence and absence of TRTs shapes whether, when, and how externally inspired reforms get implemented in developing countries. In this regard, we call attention to an important, but underappreciated factor that shapes the adoption and implementation of externally influenced reforms in developing countries: the presence of a TRT with executive authority to introduce disruptive changes to the status quo. We do not argue that the presence of such a team is either a necessary or sufficient condition for the MCA eligibility criteria to instigate a reform response. We argue only that TRTs increase the odds that governments successfully adopt and implement externally inspired reforms.

An important research frontier that merits further empirical inquiry is *how* TRTs effectuate these changes. We have provided some case study evidence that suggests TRTs might introduce and promote ideas about policy and governance that challenge the status quo, reorient material and technical forms of external assistance in support of these new ideas, or alter the domestic balance of power within the executive branch away from actors who prefer the status quo. However, further research will be necessary to understand which of these mechanisms—or other mechanisms—hasten the adoption and implementation of policy, legal, regulatory, and institutional reforms.

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ENDNOTES

[1]On the origins of the MCA and the MCC, see Hook (2008) and Krasner (2009).

[2]The MCC provides two types of funding: "Compact" assistance and "Threshold" assistance. During the period of study (2004–2010), U.S. law required that 90% of MCC funding be directed to Compacts, which are 5-year grant agreements that support long-term economic growth investments (e.g., roads, bridges, dams, property titling, financial sector development, health, and education). Roughly 10% of MCC funding supported Threshold programs, providing smaller amounts of reform

assistance to countries "on the threshold" of meeting the formal Compact eligibility requirements. For an overview of how MCC has changed the way it allocates funds across the Threshold and Compact programs since 2010, see Rose and Wiebe (2015).

[3]In a follow-up speech at a U.N Conference on Financing for Development in Monterrey, Mexico, he noted that "[m]any developing nations are already … on the road of reform and bringing benefits to their people. The new Compact for Development will reward these nations *and encourage others to follow their example*" (Bush, 2002, emphasis added).

[4]Nathaniel Heller, the former Managing Director of Global Integrity, has indicated that "[w]hether people like it or not, countries are, in practice, responding to what has been coined the MCC effect ... and they are undertaking reforms, sometimes some of the tough ones" (Keleman, 2008). Former U.S. Senate Majority Leader Bill Frist has described the "MCC Effect" as "the biggest bargain in foreign aid." He has said that "[t]he MCC model can even produce change before any money is spent. We're finding that governments are undertaking important reforms in an effort to qualify for MCC assistance—or to keep policy performance on track in order to qualify for a second five-year MCC Compact" (Frist, 2008). Steve Radelet, the former Chief Economist of USAID, describes the MCC Effect a "major success story," noting that Washington "has created the incentives for potential recipients to more carefully track the data and introduce the policy changes needed to meet the requirements" and "[t]here are examples from all around the world of the incentive effect of the MCA [country] selection process" (Radelet, 2007).

[5]In 2004, Yemen passed half of the MCC eligibility indicators was "on the threshold" of eligibility for MCC Compact assistance. As such, the MCC's Board of Directors (chaired by the U.S. Secretary of State) deemed Yemen eligible for MCC threshold (reform) assistance.

[6]In communications with MCC staff at the time of the Committee's appointment, a senior official from the USAID Mission in Yemen attributed this "breakthrough on the MCC front" to "direct instructions from President Saleh to get things done ASAP."

[7]For example, one member of the Committee (Abdu Ali Abd Al-Rahman Bourji) has also been described as a member of the "regime's inner circle" and "political kitchen cabinet" who enjoyed "unparalleled access to President Saleh" (Phillips, 2011, p. 35). A second member of the committee was "tasked with the protection of President Saleh's personal leadership" (Phillips, 2011, p. 33). Other members of the Committee, including Jalal Yaqoub and Abdulkarim Ismail Al-Arhabi, were widely recognized as technocratic reformers. Abdulkarim Ismail Al-Arhabi was described at the time as enjoying the "confidence among donors" because of "relatively clean, accountable, no-nonsense management style" (Krajeski, 2006c). Krajeski (2006d) also pointed out that "[t]here is little question that [Al-Arhabi] … [is] committed to reforms required by MCC, the World Bank and others."

[8]When John Danilovich, the then-CEO of the MCC, notified notifying President Saleh of the suspension decision in November 2015, he identified virtually all of these reforms as "near-term actions" the Yemeni authorities could implement to increase their odds of having their eligibility for Threshold program assistance reinstated. One of the authors of this study (Parks) helped to prepare the list of "near-term actions."

[9]The head of the *MCA Monitor*, a nongovernmental watchdog group, gave the MCC "full credit" for the reforms adopted by the Yemeni government (Phillips, 2007, p. A6).

[10]Likewise, the U.S. Embassy reported that "[Yemen's Minister of Planning], his subordinates, and several interlocutors [regard] MCC threshold [eligibility] as a way to encourage the [Government of Yemen] to make what they characterize as long overdue reforms" (Khoury, 2005).

[11]The unit within the MCC—the Development Policy Division of the Department of Policy and International Relations—where Parks worked was responsible for handling all inbound inquiries from and discussions with governments officials from candidate countries about policy performance issues related to the MCA eligibility criteria.

[12]For ease of exposition, we use the term "domain" to refer to 1 of 17 policy domains that correspond to the 17 MCA eligibility criteria. The 17 indicators used by the MCC to determine eligibility for MCA funding between 2004 and 2010 were Political Rights, Civil Liberties, Rule of Law, Control of Corruption, Government Effectiveness, Voice and Accountability, Health Expenditures, Primary Education Expenditures, Immunization Rates, Girls' Primary Education Completion Rates, Natural Resource Management, Regulatory Quality, Business Start-Up, Land Rights and Access, Trade Policy, Inflation, and Fiscal Policy. For an overview of how MCC has changed the way it makes eligibility determinations since 2010, see Rose and Wiebe (2015).

[13]In Supporting Information Appendix C, we demonstrate the construct validity of our dependent variables by correlating them with an independently generated source of data on the policy influence of the MCA eligibility criteria: a survey of 640 development policymakers and practitioners that we conducted in 100 low-income and lower-middle income countries.

[14]We include any country classified as a low-income or lower-middle-income economy at any point between 2004 and 2010 in our analysis. According to MCC's authorizing legislation, "candidate countries" must satisfy two conditions. They must

(a) qualify as a "low-income" or "lower-middle-income" country, as defined by annual World Bank per capita Gross National Income (GNI) parameters, and (b) there must be no statutory prohibition preventing the United States from providing assistance to a country. However, we do not limit our universe of cases to "candidate countries." We also include low-income and lower-middle-income countries that are statutorily prohibited from receiving U.S. assistance. We take this approach because statutory prohibitions are reconsidered on an annual basis and they require a written and public justification. As such, blacklisted countries can effectively eliminate any legal obstacle that may stand in the way of them accessing MCA funds.

[15]For example, the MCC introduced a new Land Rights and Access eligibility indicator in 2006, so there are no dependent variable observations for any countries in 2004 and 2005.

[16]Author correspondence with a senior adviser in Guatemala's Vice Presidency, November 2008.

[17]For example, between 2006 and 2007, the Government of the Dominican Republic reduced the number of days it takes to formally register a business (one of the MCC's eligibility indicators) from 75 to 20 and the its State Secretariat for Economy, Planning, and Development and the U.S. Department of State have singled out MCA eligibility as the primary motivation for reform implementation (Ford, 2007). More details are provided in Supporting Information Appendix B.

[18]Due to insufficient information about the policy domains where these TRTs focused their efforts, this variable is measured at the country-year level rather than the domain-country-year level.

[19]DSPPAC responded by integrating the MCA eligibility criteria into the country's national planning process (MCC, 2011).

[20]More detailed explanations of these variables and why they were selected are provided in Supporting Information Appendix D.

[21]In Supporting Information Appendix D, we report summary statistics for all of our independent and dependent variables.

[22]These stationary control variables (e.g., *strength_of_incentive, determinacy_of_conditions, ruling_justly_category*, and *investing_in_people_category*) are substantively important, which is why we report model specifications with and without country-domain fixed effects.

[23]We demonstrate in Supporting Information Appendix E that these linear probability model results with country-domain and year-fixed effects are insensitive to the use of alternative dependent variables (*mca_reform_anystage* and *mca_reform_implementation*).

[24]However, when we limit our inferential leverage to within-country variation (in the models reported in columns 2 and 4 of Table 2), we find weaker evidence that countries are more likely to adopt and implement MCA-related reforms when they become more democratic.

[25]The models that report coefficient estimates based on within-country sources of variation (in columns 2 and 4 of Table 2) provide less robust evidence that increasing one's alignment with U.S. foreign policy preferences reduces the probability of pursuing MCA-related reform efforts.

[26]The Control of Corruption is the only "must pass" indicator in the MCA eligibility assessment (Dunning & Herrling, 2009; Öhler et al., 2012).

[27]This is also true of the *cpia_reform_credentials* variable.

[28]Existing computer software for multilevel modeling (e.g., GLLAMM) does not allow users to correct the coefficients in three-level logistic random-intercept models for rare event bias.

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SUPPORTING INFORMATION

Additional supporting information may be found online in the Supporting Information section at the end of the article.

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